

RI Health Benefits Exchange Board
Tuesday June 26, 2012 – 1:00pm
Department of Administration Conference Room A
Meeting Minutes

Attendees: Meg Curran (Chair), Don Nokes (Vice-Chair), Linda Katz, Marta Martinez, Tim Melia, Dwight McMillan, Secretary Steven Costantino, Amy Zimmerman, Pam McKnight

Also in attendance Exchange Director Christy Ferguson

Absent: Director of Administration Richard Licht, Health Insurance Commissioner Chris Koller, Mike Gerhardt.

- I. Call to Order – Chair Meg Curran called the meeting to order at 1:00pm. The Chair welcomed the members to the session and introduced the newly appointed Exchange Director Christine (Christy) Ferguson. The Board welcomes the new director and looks forward to her leading us on this important project.
- II. Administrative Update – Jennifer Wood: We welcome Director Ferguson, enthusiastically, who is officially on Board and in a transitional period, and as of July 15, 2012. If you need to speak with her before then you should get in touch with OHIC or our office or your usual channels in the interim until that date when she will be set up full time. Other updates at this time include awaiting guidance from the Supreme Court on the future of the national health care law.
- III. Presentation – Patrick Holland, Managing Director of Wakely Consulting in Boston. Presenting today on Exchange Financial Sustainability Business Model Options for Discussion. (Slides available on our website and by request).

Questions/Comments/Clarifications during presentation

- a. Secretary Costantino: As you describe self-sustaining, how are you defining self-sustaining. I understand the federal piece. What I do not understand is if it implies no state funding or general revenue funding can be used? Is there a prohibition of using state money for sustainability?
 - i. Patrick Holland: State statute does indicate that. In a way there is state capital.
 - ii. Jennifer Wood: Because there is no state statute governing the exchange, there is a specific language that prohibits the use of state funding to sustain the exchange in the Executive Order.
 - iii. Secretary Costantino: At this point in time that does provide us with a framework of our limitations.

- iv. Patrick Holland: Yes, and this is why I call this a business model. Like any business enterprise, constantly managing expense line and modeling to fit into the revenue yield.
- b. Linda Katz: Since our exchange is going to be processing Medicaid eligibility as well as subsidy I assume there are some federal Medicaid dollars we can use for some of the tools and services we will provide to Medicaid?
 - i. Patrick Holland: And we will get to that as we dive deeper into these slides. I believe there is.
- c. Secretary Costantino: Isn't it truly a state entity at this point?
 - i. Patrick Holland: It is a state entity but it will be highly interactive with public and private partners.
 - ii. Secretary Costantino: I understand, I would just caution that we should reword that, as it is indeed a state agency within the Executive Branch.
 - iii. Patrick Holland: Absolutely.
- d. Secretary Costantino: What is the need for a risk reserve?
 - i. Patrick Holland: It goes back to the idea of a line of credit. You should, as an entity that cannot rely on state funds, have some cushion in the bank.
 - ii. Secretary Costantino: It is not a risk reserve on the insurers?
 - iii. Patrick Holland: No, risk reserve on the business operation, nothing to do with medical insurers.
- e. Secretary Costantino: As we develop the UHIP, would this have looked any differently if the exchange was separate? Were there any savings based on doing the Unified system?
 - i. Patrick Holland: It depends on how functional the systems are. Here you are looking to build something new, the startup will be relatively costly, but the ongoing cost and operations may level out.
 - ii. Secretary Costantino: Trying to determine if there was any cost benefit to doing a unified system. I don't see the cost savings.
 - iii. Patrick Holland: The cost savings will get lost in this kind of presentation. The real savings will be when you go to market, and have systems that handle much larger volume in the system will ultimately keep the cost down.
 - iv. Secretary Costantino: There will but there is a negative to that – in one of the scenarios, you talk about how the large market may be paying for it.
 - v. Patrick Holland: That is a conceptual idea.
 - vi. Secretary Costantino: All these are conceptual. I am merely trying to support what we have done. In this presentation I am not seeing that cost benefit.
 - vii. Patrick Holland: I think because we haven't been able to model the differential pricing with our without UHIP it is hard to see. We do have educated guesses about what that will look like at

different levels. There is a clear benefit to doing those structured.

- viii. Linda Katz: The other benefit is that if we do not do them together then there would be other costs for communications between two independent systems.
- ix. Director Ferguson: What I am hearing is that you would find it helpful to find key ways of explaining the cost decision towards UHIP.

- f. Amy Zimmerman: These percentages, are they just for this functionality relative to the exchange? Would the percentages be the same for UHIP?
 - i. Patrick Holland: These are as a function of the exchange, but if you put more value through the bandwidth the percentages would absorb the changes.
- g. Secretary Costantino: Where we are at on this preliminary analysis is that the first one is a claims assessment, the second is like our premium tax,. this year there have been the currentcare debate that went through the same discussion, a bill by BCBS and others, basically a battle for the same revenue source and now we have added the exchange into the ring for number one. It goes to what I said earlier, and although it has the best PMPM situation, not all 654K will be utilizing the exchange. Large group is not in at this point. There are other issues here, there tare other entities looking at the same revenue source and at some point it is a political decision as to who get that revenue source. The thing we are trying to prevent we may cause.
 - i. Patrick Holland: Right, the real magic is to see the value of where the exchange is contributing where others could not, and where others have taken away. The idea is that we are bringing value to the broader market. I would argue to try to find a broader function to reduce the cost of other entities. The exchange does need to think of itself as not just and additive cost to the market, but ways to find value in itself, and see it as a means of reducing cost of other entities in the sector.
- h. Dan Meuse: That would mean a different model on your pie chart then?
 - i. Patrick Holland: Yes, these here was operations. Lots of assumptions initially, and different areas still to model out.

IV. Discussion:

- a. Jennifer Wood: The request coming from the Board had been what are the
- b. Secretary Costantino: I would feel more comfortable if the new Director made some recommendations to us after her analysis of this, rather than us trying to give direction now.

- c. Chair Curran: I think that is a good point. I personally feel totally uncomfortable trying to direct a discussion about any of these issues without more background.
- d. Director Ferguson: Let me make comments generally – one of the difficulties is that you have done so much amazing work, both as the Board and the staff. I think that what you are asking – as I try to map out what you are seeking- is how does this fit into the bigger picture. What Patrick is saying there are numerous different permutations of how to do this, but the core issue is how does it fit into the piece. My plan was to take the next 60 days and while all the work continues, I would take that time to meet with each of the members as well as the key stakeholders and get a good feel for what people are thinking about, see where they are going, and understand where we are from a staffing and content perspective. Then I would hope to come back at the next Board meeting, if it works, to give a couple of snapshots of where we are, and then 60 days out try to have a plan for you about where I would recommend going forward. I think this issue of self-sustainability has a core issue is the scope that this takes. I think that there are some larger questions/pictures that could be laid out for us collectively that might change the way we think about it. I would say in three weeks I can come back and discuss what I see initially and then in 60 days give a set of recommendations. On day three of this position I would say we are at a 30, 60, 90 day look and adjustments to get us to the next level.
- e. Jennifer Wood: In preparation for today's Board meeting I went back and reviewed the relevant sections of the Executive Order. What we did not want to do was throw everything into neutral while the transition occurs. Because the Board is advisory to the director as clearly stated in the Executive Order, the director has here set forth a clear path of proceeding forward, in which she may use the staff and then begin that relationship where this board advises her. We feel it is important to continue to get this information before this panel so you are fully informed when the director is brought to speed and ready to begin the conversation fully.
- f. Linda Katz: So many of the discussions that we have had relate to a decision like this – what is the exchange, is it a business is it a public agency providing a public service. Similarly the discussion surrounds the consumer assistance model. It would be great if we could then have a retreat together where we revisit what we have discussed in the past and how these have applied and how they drive the other pieces and how it drives the consumer outreach piece.
- g. Pam McKnight: On this spectrum here, how to fund it and keep it sustainable, what can you tell me about what other states have done?
 - i. Patrick Holland: MA does it more towards the narrow end of the spectrum Assessment on enrollment through exchange. Washington state we are assessing right now. Maryland and

others fall in the middle of the spectrum moving a bit away from the MA model.

- ii. Pam McKnight: How is it working out for MA, is it sustainable?
- iii. Patrick Holland: They have been able to cover their expenses, the footprint has been rather constant. They do have two different programs, subsidized and unsubsidized. I would offer it is working fine. Carriers may argue it is too high still.
- h. Secretary Costantino: The Governor has put in some cost cutting measurers also?
 - i. Patrick Holland: They have not hired anyone in recent years, there are a few things in place. I have not heard a great deal of pushback. The good news is that it has not gone up - it has gone down.
- i. Don Nokes: The authority to implement these kinds of things on this spectrum (slide 25). I would imagine as you get along the scale you need the legislature's approval?
 - i. Patrick Holland: As you move would need some sort of legislative authority. It also depends on where you want to go.
 - ii. Don Nokes: Right, I am not sure you can really plan on that type of cooperation.
 - iii. Jennifer Wood: It is interesting as we have an atypical standard in RI. There is an existing statute, which gives the department of health to issue regulations to generate revenue to help get people insured. Then as you move along the arrow towards broad, the alternatives revenue sources are clearly within the ambit of an exchange. It is a bit different in RI then would be elsewhere.
 - iv. Don Nokes: I am just wondering if we should look to where the dollars are and the assessment on the enrollment is a 5% hit, so clearly as you get into that section that relies on further support, it is a concern, that obviously will be for later discussion.
- j. Linda Katz: Of the shifting in cost, is there any guestimate of how much would be Medicaid covered given the relative proportion of how many in Medicaid would be using the exchange?
 - i. Patrick Holland: The 15 -20 here was just on those in the exchange, just the commercial.
 - ii. Linda Katz: so there is nothing in the 15-20 that accounts for the large bulk that will be coming from Medicaid?
 - iii. Patrick Holland: No, not in this case.
- k. Secretary Costantino: Speculative question – Thursday happens. What would affect this modeling the most?
 - i. Patrick Holland: That is a difficult question. If they turn the whole thing over, then this is moot unless you do it on your own.

- ii. Jennifer Wood: To the extent that a lot of this financing discussion focuses on volume and scope the mandate directly affects volume in the absence of a state legislative mandate. The cost is a volume sensitive discussion, so we have truly been looking at the SCOTUS deliberations as an impact on volume considerations. That is the most important variable we will be looking to on Thursday.
- iii. Secretary Costantino: Let us take the childless adults, is there a potential that would be thrown out?
 - 1. Jennifer Wood: There is always potential. Medicaid old concept highly litigated and chewed over.
 - 2. Secretary Costantino: Right but in terms of our planning that is a big variable.
 - 3. Jennifer Wood: Yes, but they would need to come up with a whole new set of logic as to why Medicaid is not constitutional.
 - 4. Linda Katz: Just to sleep better though between now and Thursday is that based on what they did with the immigration case yesterday, then there is hope for splicing this up.

V. Public Comment:

- a. Kathryn Shanley: I think we have to be concerned that the assessments are administrative costs that are adding on to the administrative cost of the premium. Unless insurers are going to experience some reduction on their own administrative costs, then this is just going to be adding to our costs as opposed to being neutral. Make sure that assessments are passed on as opposed to just added to premiums. I think we need to be concerned about keeping administrative expenses as low as possible.

VI. Adjourn – Next meeting July 17, 2012, 1:00pm